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One of the most momentous events in the later history of the Philippines was the opening of direct trade with Spain. Though such an innovation was considered from very early times, nothing definitive was accomplished until 1766. Vairous obstacles had prevented its consummation. The bull of demarcation had expressly closed the Cape route to the Spaniards, and the latter had observed the restriction with singular scrupulousness.¹ Then, the appearance of the Dutch in this field at the beginning of the seventeenth century added greatly to the risks of such an undertaking, and this element of hazard would have necessitated an expensive armed convoy to insure the safety of the voyage. The route from the other direction—around Cape Horn, or through the Straits of Magellan—was even more impracticable.² The rounding of South America was attended with many difficulties and great peril, while the final stage of the voyage, the long passage across the Pacific, would have strained supplies, discipline, and profits to the utmost. Moreover, the Andalusian interests opposed this course, because of the opportunity it

¹ "Not any of these voyages are practiced by the Castillians—who are prohibited from making them. And although the effort has been made, no better or shorter course has been found by way of the South Sea" (Morga, *Sucesos*, Blair and Robertson, *The Philippine Islands*, XVI. 206). "Manteníase la consideración caballeresca, el respeto que la prioridad procuraba á los compatriotas de Vasco da Gama" (Fernández Duro, *Armada*, III, 277).

² Veitia Linage, *Norte de la Contratacion*, II. 160.

would offer to trade with the west coast of the continent, which was a market reserved to the *Galeones*.³ Besides the natural obstacle of the inordinate distance from Seville or Cadiz to Manila, and the obstruction placed in the way by the hostile peninsular interests, the contrariety of the winds in the lower Pacific made the return voyage even more difficult than was the westward crossing.⁴ The only alternative—if we except the mythical Straits of Anian, whose problematical existence tormented the imaginations of Spaniards as modern and as intelligent as Malaspina⁵—was by the portage at Panama. This route was frequently proposed, and was a feature of Viana's ambitious scheme of 1765, which further involved the project of connecting the two oceans. Here again the Andalusians interposed their opposition, for Panama was a terminal of the Peruvian "fleet of the South Sea", and so, within the area of their monopoly. Finally, whatever goods reached Spain before the return voyage of the *Buen Consejo* in 1767 arrived at Cadiz by way of Acapulco, Vera Cruz, and the *flota*. However, the cost of transport across New Spain negated the practicability of this route for an extensive trade.

Proposals were made early in the seventeenth century to divert the trade of the Philippines from Mexico to Spain. In 1610, Philip III. sent a circular letter to the following officials, to sound their opinion on the subject: the viceroys of New Spain, Peru, and Portugal, the *audiencias* of Mexico, Lima, and Manila, and the governor of the Philippines.⁶ The Marqués de Montes-

³ Burney says of the exploring expedition of the Nodales to the Straits of Magellan in 1619: "The expedition gave all the encouragement which could have been expected to the plan for establishing a direct trade from Spain to the coast of Peru and to the Philippines; but every proposal to that effect met with so much opposition from the administrators of the commerce to Panama, and from other interested persons, that the project was thrown aside" (*A Chronological History of Discoveries in the South Seas or Pacific Ocean* (1803), II. 464). For an account of this voyage see *Magellan's Strait. Early Spanish Voyages*, in Hakluyt Society Publications, second series, vol. 28 (1911).

⁴ Ronquillo to the king, April 8, 158[4], *A. de I.*, 67-6-6.

⁵ *Viaje político-científico alrededor del mundo . . . desde 1789 á 1794*, p. 137.

⁶ The king to Viceroy Salinas, December 1, 1610, *A. de I.*, 105-2-1.

claros, at that time viceroy of Peru, and formerly viceroy of New Spain, warmly recommended the suggested change,⁷ but no further steps were taken to carry the project into execution. The unfortunate military expeditions of Ruy González de Sequera in 1613,⁸ and of Zuazola in 1619,⁹ might have aided in the inception of such a scheme, but Spanish powers of initiative had begun to decline, to revive for a season in the gradiose spurts of an Olivares. So, the conception of a direct connection between Spain and the Philippines lay dormant during the *decadencia*, and until the coming of the Bourbons and the revival of the eighteenth century.

With the more energetic and enlightened rule of that period the idea gained new life. However, the first attempt to give it concrete form resulted in failure. In 1733, largely through the instrumentality of the minister, José Patiño, a trading company was actually formed,¹⁰ but it never undertook any operations. The Manila interests opposed its foundation, as did the Dutch,¹¹ and the unfavorable state of foreign affairs did not

⁷ Montesclaros to the king, October 10, 1611, *Documentos inéditos* . . . *América y Oceanía*, VI. 312.

⁸ *Real cedula*, February 17, 1613, *A. de I.*, 105-2-12. The king ordered the route to be well charted by a cosmographer.

⁹ Fernández Duro, *Armada*. In connection with the despatch of this expedition, which was destroyed by a storm twelve days after sailing, the king suggested the possibility of trade with the Philippines via the Straits of Magellan. The king to Governor Fajardo, October 19, 1619, *A. de I.*, 105-2-1.

¹⁰ *Real cedula*, March 29, 1733. This charter contains 58 clauses, and was printed in French as well as in Spanish. Among the commodities which might be imported into Spain were cotton, spices, raw and twisted silk, and silk cloth. However, finished silks might not be consumed in Spain, but were to be reexported to other European countries or to America. Fifty tons of silks might be brought to Cadiz in each ship under these conditions. The company was permitted to send a ship of its own, of not more than 350 tons burden, to carry its goods to America. Apparently concessions for direct trade had been granted before, for the third clause of the charter reads: "nous revoquons, et annulons toutes les permissions que jusqu'a present nous avons données pour faire la dite navigation, specialement le traité accordé au nom de Don Miguel de Arriaga".

¹¹ "Les Hollandais reussirent pendant presque tout le XVIII^e siecle á interdire aux Espagnols le passage par le Cap de Bonne Esperance" (Desdevises de Dezert, *L'Espagne de l'ancien régime*, II. 147). The Dutch later objected vigorously to the foundation of the Company of 1785 (Muriel, *Gobierno del Rey Carlos III.* 225).

make this a very propitious time for launching a new commerce that would compete with other nations long established in the field.

The agitation was continued by the ablest and most public-spirited officials in the islands, as well as in Spain. In 1748 Pedro Calderón Henríquez recommended the erection of a company on the pattern of the great Dutch and British companies, whose success he, like most Spaniards, overrated.¹² The Spaniards were in fact obsessed with the utility of the company form of trading organization, since they were ignorant of the financial and political difficulties of the companies which operated in India and the archipelagoes, and only considered their plausible prosperity. Governor Simón de Anda, who otherwise favored the idea of direct trade between Manila and Cadiz, strongly opposed the suggestion of a commercial company.¹³ The Hispanicized Briton, Nicolas Norton Nicols, who resided in Manila for several years, heartily endorsed the connecting of the colony with the metropolis by means of such a company.¹⁴ However, the most comprehensive scheme proposed was that presented in 1765 by Francisco Leandro de Viana.¹⁵ In one of the most remarkable documents in Philippine history the bold and clear-sighted administrator laid before the central government a detailed exposition of the whole project. He proclaimed the right of the Spaniards to sail the Cape route to the East, in spite of the ancient ban of the papacy, of the Treaties of Westphalia

¹² Calderón Henríquez to the king, July 12, 1748, *A. de I.*, 68-4-32.

¹³ Anda to Arriaga, July 7, 1768, *A. de I.*, 108-3-17.

¹⁴ *Comercio de las Islas Philipinas e conveniencias que pueden dar á S. M. Carlos III.*, 1759 (B. and R., XLVII. 266).

¹⁵ Demonstracion del misero deplorable estado de las Islas Philipinas: de la necesidad de abandonarlas, ó mantenerlas, con fuerças respetables: de los inconvenientes de lo primero, y ventajas de lo segundo: de lo que pueden producir á la Real Hacienda: de la Navegacion, extension y utilidades de su Comercio. Con reflexion^s que convencen la utilidad de formar una Compañía, bajo la Real Proteccion, para hacer feliz, y gloriosa la Monarquía Española, y privar á sus Enemigos de las ganancias, conque la destruyen en paz, y en guerra, Manila, February 10, 1765, B. and R., XLVIII. 197-338. There are two copies of this document, with Viana's signature, in the Edward E. Ayer Collection of the Newberry Library, Chicago.

and Utrecht-Munster, or of the outworn theory of the *mare clausum*. He then enumerates the advantages of his revolutionary program. His project carried with it an elaborate plan for the development of the resources of the islands themselves, including the promotion of spice culture. From Manila, the activities of the company would ramify throughout the East in a number of subsidiary lines. These would not only be feeders for the company, but the Manila creoles might profit from the utilization of these new opportunities.¹⁶ Further, many things which they secured from Europe by way of New Spain or from Dutch and English traders in the East, could thereby be imported directly—and more cheaply—from Spain. Spain herself could be supplied with oriental merchandise without contributing to the profits of the Dutch and British companies. “Our own inactivity and lack of application,” he complains, “causes us to buy from others the very articles with which these dominions abound.” Not only could this very important branch of her foreign trade be nationalized, but the surplus that remained after the wants of the peninsula were supplied, could be forwarded to the South American colonies, which were only too dependent on the extensive illicit introductions of other European peoples. Viana also emphasized the political advantages of a closer and more direct connection of the colony with the mother-country. With the exception of the isolated Ladrões, the government of the Philippines had always been the most independent in the Spanish empire, and the authorities there were not always amenable to the control of the central power. Viana now declared that the opening of direct trade would restore the proper subordination to Madrid. Whether he considered the possibility of the rebellion of New Spain, and so, of the loss of the semi-dependent colony of the Philippines, we can not say; though, in view of the later develop-

¹⁶ Viana, however, had small hope of interesting the creoles. “These citizens,” he says, “have no thought of any further occupation than their everlasting laziness, nor have they the spirit to risk four reals, or any zeal for the nation” (*ibid.*, p. 284).

ment of events, we see that it was fortunate for Spain's hold on the islands that before the Mexican War of Independence they had been made immediately dependent on the government in the peninsula, and that direct ocean communications had been established with them. The virtual surprise of Manila by the British in 1762 awoke Spain to the need of providing for the better defense of the colony, and this implied swifter and more effective connection with Manila. The Dutch at Batavia and the British at Madras always received news of the outbreak of hostilities in Europe long before the Spanish government could inform the authorities in the Philippines. However, under the proposed plan a ship could reach the East from Cadiz sooner than could a vessel from Amsterdam or Plymouth, so that the Spaniards could prepare for a possible attack.

Every interest in Spain that possessed available capital—guilds, banks, religious corporations, merchants, and nobles—should be urged to participate in the great national undertaking, which he declared would enrich the nation, while it awakened in the people the business ideal and the enlightening spirit of world-commerce. Viana favored a company as against any other medium for carrying on the projected enterprise, for he believed that such an organization under the patronage and protection of the government would be better able to cope with the competition of the Dutch and British than would individual traders, or even companies operated under exclusively private auspices. Further, he would turn over the government of the islands to the company, as in the case of the other colonies in the East.¹⁷ The ancient galleon line could scarcely remain outside the scope of such a comprehensive scheme, which would absorb or direct every economic activity of the colony.

Much of the material of Viana's memorial is of his own conception. Certainly its driving earnestness and vigor are his. However, some of it is a restatement of the views—some very old—of other Spanish writers on commerce, such as the Visconde

¹⁷ *Ibid.*, p. 331.

del Puerto,¹⁸ Miguel de Zavala,¹⁹ and Geronimo Ustariz.²⁰ Another of the economic writers of that time, Bernardo de Ulloa, had also advised the change.²¹

It was the next year after Viana presented his memorial that direct communications were opened with the islands. In the first days of October of that year there arrived at Manila a sixty-four gun frigate of the royal navy, the *Buen Consejo*, under the command of a French captain, Caseins.²² As a semi-state venture she had been despatched around the Cape with a cargo of European merchandise to be exchanged at Manila for Oriental goods. However, the Manileños believed that this voyage was the signal for the suppression of the Acapulco line, and accordingly gave the ship a cold reception, dubbing her—with a play on her name—the *Mal Consejo*.²³ They refused the proffered invitation to participate in the new undertaking,²⁴ and with such an attitude of passive resistance on the part of the creoles success for the new line was almost impossible. Yet the voyages continued until 1783, when the *Asuncion* made the fourteenth and last.²⁵ The results had not been such as to encourage further expeditions of the kind.²⁶

¹⁸ Alvaro J. A. I. de Navia Osorio y Vigil Arguelles de la Rua, Marqués de Santa Cruz de Marcenado y Visconde del Puerto, *Reflexiones militares* (Turin, 1724-30), quoted by Viana, *op. cit.*, p. 296. This nobleman was also author of *Comercio suelto, y en compañías, general y particular en Mexico, Perú, Filipinas*, etc. (Madrid, 1732). The latter work contains (p. 216), "Anotaciones para la seguridad de Españoles en el Mar del Sur, y para una Compañía de Filipinas: . . . sacadas de dos papeles que en fines de Abril de 1731 me permitió de extractar un Cavallero Italiano, que avía estado tres veces en aquellos países". Santa Cruz proposed the abolition of the Manila-Acapulco line, and the substitution of direct trade by way of the Straits of Magellan. *Ibid.*, 229-36.

¹⁹ Miguel de Zavala y Añón, *Representacion al Rey . . . dirigida al mas seguro aumento del real erario* (1732).

²⁰ *Theórica y práctica de comercio y de marina* (1724). See Viana, *op. cit.*, p. 313.

²¹ *Rétablissement des manufactures et du commerce d'Espagne* (Amsterdam, 1753), 74. "Este tráfico . . . no solo no será dañoso, sino el mas útil de cuantos se pueden establecer.

²² Azcárraga, *Libertad de Comercio*, p. 117.

²³ Legentil, *Voyage aux mers des Indes*, II. 228.

²⁴ Montero y Vidal, *Historia*, II. 122.

²⁵ "The Company of the Five Greater Guilds of Madrid" sent out ships in 1779, 1780, and 1781. *Exposicion de la Compañía de Filipinas* (1813), p. 4.

²⁶ "Todas estas tentativas no produjeron sino tristes desengaños" (*ibid.*, p. 5).

With the single ship operations had necessarily been on a restricted scale, but this tentative enterprise was shortly followed by a far more ambitious effort. For, on March 10, 1785, the *Real Compañía de Filipinas* received its charter from the king.²⁷ "From the beginning of my reign," says the enlightened Charles III. in the preamble of the document, "I have desired to stimulate my beloved subjects to undertake direct commerce with the Philippines, and accustom themselves to the navigation of those seas."²⁸ It was to arouse them to the value of this that he had sent ships of the royal navy on various expeditions to the East within the last few years. At this moment the dissolution of the old Royal Caracas Company offered an excellent opportunity for the creation of a similar organization to operate in the Orient.²⁹ The Guipuzcoa Company (*Real Compañía Guipuzcoana de Caracas*) was refused a recharter, and its last *junta* had decided to divert the resources and personnel of the company to trade with the Philippines. It asked the royal permission for the change, which was authorized after the proposal had been reported favorably by the council of ministers. The chief advocate of the company was the Frenchman, François Cabarrus,³⁰ then in charge of the national finances, and sponsor of the Royal Bank of San Carlos.³¹ The charter provided for

²⁷ *Real cédula de ereccion de la compañía de Filipinas de 10 de Marzo de 1785*. This is a printed document of 57 pages, in 100 clauses. The *instruccion reservada* of the king to the *Junta de Estado*, issued July 8, 1787, is contained in Muriel, *Gobierno del Señor Rey Don Carlos III.* (Paris, 1838). Clauses CXXXI-CXXXVIII, pp. 221-26, and CCCXCV, p. 415, refer to the Philippine Company.

²⁸ In the *instruccion reservada* Charles III. says: "Si este cuerpo de comercio prospera como es de esperar, vendrán á ser aquellas islas un manantial de riquezas para la España, y ellas aumentarán las suyas, su poblacion y sus producciones. Se ha dudado en varios tiempos, si convendría mas bien abandonarlas ó cederlas, pero esto seria ya cuestion escandalosa en el día, y unicamente se debe pensar en el modo de conservarlas, defenderlas y mejorarlas" (*ibid.*, p. 221).

²⁹ For an account of this company see Moses, *The Spanish Dependencities in South America* (1914), II. Ch. XVII. The company was chartered September 25, 1728, and was deprived of its public character by a decree of February 15, 1781. Thence till its final dissolution in 1785 it was an exclusively private organization.

³⁰ Bonassieux, *Les grandes compagnies de commerce*, p. 450.

³¹ Desdevises du Dezert, *op. cit.*, pp. 426-435; Rousseau, *Régne de Charles III d'Espagne*, II. 300-304.

the liquidation of the assets of the Caracas Company and the transfer of the proceeds to the new company. In the central *junta de gobierno*, or governing board, to sit at Madrid, three directors of the dissolved company were to sit, while the remainder of the *junta* was to be composed as follows: two directors of the *Banco Nacional* (Bank of San Carlos), two of the *Banco de Habana*, two of the *Banco de los Gremios*, and one of the *Banco de Sevilla*. A further concession to the old company was the requirement that the ships of the Philippine Company carry 2,000 tons of goods annually to Caracas, Cumaná, and Maracaybo, the former field of operations of the Guipuzcoa Company on the Spanish Main.

The company was chartered for twenty-five years—that is, until July 1, 1810. The capital stock was set at 8,000,000 pesos, in 32,000 shares of 250 pesos each. This was purchasable by anyone, ecclesiastics not excluded. Of course, a considerable part of this was assumed by the shareholders of the Caracas Company, who were directed to surrender their paper at the offices of the new company at Madrid within six months and receive the equivalent in stock of the new issue. Spanish American creoles of means were also encouraged to invest, while the king himself subscribed for a million of stock to express his confidence in the undertaking, and thereby set an example to moneyed individuals or organizations in the peninsula, whose capital was idle or relatively unproductive.³² Three thousand shares were also set aside for disposal in the Philippines.

The company was to have a monopoly of trade between Spain and the Philippines, whether direct or via the ports of South America. The main business of the company was to be the exchange at Manila of Spanish for Oriental goods,³³ although its ships might annually carry to the east 500,000 pesos of coin to invest. However, its field was to be wider than this, and there

³² Of the subscription made by the *Banco Nacional*, Desdévaises du Dezert says: "La Banque eut l'imprudence d'employer 21 millions de réaux, formant le plus clair de son bénéfice de l'année, à l'achat d'actions de la Compagnie des Philippines." *Op. cit.*, p. 429.

³³ Even Asiatic silks might be imported into Spain. *Real cédula*, clause 37.

were to be several minor and subsidiary branches. European merchandise might be carried to Spanish American ports on the outward passage and exchanged there for colonial products to be carried on to the east for disposal, though it was prohibited to carry on trade in the opposite direction between Asia and America. The king thus suspended in favor of the company longstanding *cédulas* that had prohibited trade between South America and the Orient.³⁴ However, this latter restriction was virtually nullified by the provision that the company's ships might tranship to those very American ports Asiatic merchandise that had first been brought to Cadiz around the Cape, with the sole limitation that such goods, on being reexported, should pay the export duties required by the general *Reglamento* of 1778.³⁵ Moreover, the company might deal directly with the Asiatic coast, or send its ships thither from Manila. It was particularly desired to open up intercourse with the Chinese ports,³⁶ though trade might be carried on along the south eastern coasts of Asia, wherever the dominant European power did not refuse them admittance. The company was declared in the charter to be devoid of any political character, as against the dual politico-economic position occupied by the Dutch and English companies. It was accordingly directed to maintain good relations with the native Asiatic peoples, and to evade any complications that might raise a military issue.³⁷

³⁴ *Leyes*, lib. 9, tit. 45, leyes 1, 5, 7, 71: "Consistiendo su principal ventaja, y tambien la del Estado, en la union del comercio de la America con el de la Asia" (*Real cédula*, *op. cit.*, clause 26).

³⁵ *Reglamento y Aranceles Reales para el Comercio Libre de España á Indias*, 1778, p. 60.

³⁶ Azcárraga says that five years after the foundation of the company it had not established relations with China. *Libertad de comercio*, p. 141. However, the intendant, Carvajal, declares that the company sent the frigate *San Francisco* (Antonio Maurelle) to China in 1786. This ship had just come from San Blas with what Carvajal suspected to be a cargo of sea-otter skins. Carvajal to Gálvez, June 5, 1786, *A. de I.*, 108-4-25.

³⁷ "Ha de fuir en el Asia é India Oriental de tomar parte en los intereses de aquellos Nababes, ni en los que promueben las naciones francesa, inglesa, holandesa (ó otra). . . debe abstenerse de formar establecimientos, y de imitar á la Compañía inglesa, excusando usurpaciones, y dar celos á las naciones asiáticas" (Muriel, *op. cit.*, p. 221).

The route to the Orient might be either by the Cape or around South America. In the latter case a stop at Buenos Ayres was obligatory, but the company was warned against excessive extractions of silver and goods from that city, which might be used for trading in the east with the French and Dutch—"an abuse prejudicial to the national commerce, and to my royal treasury".³⁸ Stops at the west-coast ports were optional. However, all ships were compelled to return to Cadiz by the Cape route—largely a check on trading voyages from Asia across to the American colonies. Factors or agents of the company were to be stationed in Mexico, Vera Cruz, Lima, Buenos Ayres, and several other important cities, to care for the local business of the company. On the company's ships the captain and first officer, and at least half the crew, must be Spaniards. The king wished further to encourage the enlistment of Filipinos in the service of the company. "The natives of the Philippines," he says, "have always displayed their aptitude and inclination for the sea."

The adjustment of the great undertaking to the traditional economic interests of the colony—that is, to the Manila Galleon—was a very delicate problem. The promoters of the company knew from the past experience of such attempts the irreconcilable antipathy with which the insular creoles viewed the innovation of direct trade.³⁹ They were aware, too, how little chance of success the company would have in the face of this opposition. Consequently, the prejudices of the Manileños were humored, and concessions were made to gain their coöperation in the new enterprise. In the first place, as we have seen, 3,000 shares of

³⁸ *Ibid.*

³⁹ "Siempre han temido los vecinos de Manila que despachando navío por el Cabo de Buena Esperanza se les corte el de Acapulco" (Pedro Calderón Henríquez to Arriaga, *A. de I.*, 108-3-18). "Les Manilais, qui, jusqu'à ce moment, ne connaissaient d'autre commerce de long cours que celui des galions d'Acapulco, accueillaient avec méfiance tout ce qui rassemblaient à une innovation. Ils auraient du réfléchir cependant en voyant à quel point le commerce avec l'Amérique diminuait de jour en jour. . . . La Compagnie des Philippines s'efforça de venir au secours des Manilais qui la detestaient." Mallat, *Les Philippines*, II. 293.

stock were reserved for distribution among them. "For", says the king, "the prosperity of the Philippine Islands and of their inhabitants has been the principal motive that has moved my paternal love to protect and to share in this undertaking; and I have desired that besides the advantages that will result to them through the increase of their agriculture, industry, and marine, they should have a direct share in the profits of this commerce." So he hopes that the *consulado* and the *obras pias* will take the proffered shares. The company was expressly forbidden to interfere with the trade of the islanders with Asia, or with the inter-insular traffic. However, apparently the most assuring statement was that contained in clause 43 of the charter, which was intended to quiet the fears of the Manilaños as to the possible intentions of the company. "I permit," says the king, "the inhabitants of the Philippines to continue for the present their trade with New Spain." The particularly equivocal part of this was the expression "*por ahora*" which should hardly have been expected to ease the chronic and over-wrought suspicions of the islanders. Just what were the ultimate ideas of the *peninsulares* at this time as regarded the disposition of the galleon trade we cannot say. They might gradually encroach on the field of that line until it died of inanition. Thus, the concession to import into Vera Cruz 800 tons of goods a year may have been a deliberate and none too skillfully planned move in this direction; for the Manilaños recognized the evident sinister probability for their established interests contained in this permission which was granted to the company. The 800, or more, tons of Chinese and Indian merchandise thus introduced into the front gate of New Spain could not but seriously affect the market for the same commodities brought in from the rear. The company was, however, prohibited from taking any pecuniary interest in the galleon line. They might have goods brought from Acapulco which they needed for their dealings in the east, but they must pay the ordinary freight rates for the transportation of these consignments. In order to urge the creoles to take an active part in the transactions of the company, they were conceded one-fifth of the lading space of the company's

homeward-bound bottoms for their shipments. Moreover, the insular products thus sent to Spain were to be exempt from the payment of export duties at Manila and of import duties on entering a Spanish port.

Another part of the company's program which would affect the galleon trade less immediately was its comprehensive project for the development of the archipelago's resources as a complement to its essentially commercial objects, a possibility consistently neglected by the beneficiaries of the old commerce.⁴⁰ In the first place, four per cent of the profits of the company were to be devoted to that kind of work so aptly described by the Spanish term, *fomento*, or stimulation of the internal development of the islands. This meant above all the encouragement of new cultures, such as the growing of spices, and the promotion of manufactures of cloth and of other commodities. In this the company would work in unison with the *Sociedad Económica*, and the designs of both organizations reflect the enlightened spirit represented in Spain by Campomanes. Another instance of the unusually high plane on which the Philippine Company was to work was that in its scheme for the agricultural and industrial development of the islands it made no provision for the forced labor of the natives. It was this omission, according to the German traveler, Jagor, that caused the ultimate failure of this part of the company's program, as he declared tropical plantation culture on such a scale impossible without the impressing of the natives.⁴¹ On the other hand, the Spaniard, Montero y Vidal, cites this feature as a distinct proof of the superiority of the Spanish system to that adopted by other nations, like the Dutch, in a similar situation.⁴² The charter required the company to carry artisans who desired to settle in the islands without charge for transportation, and likewise to provide free passage for professors of mathematics, chemistry, or botany—a concession to the scientific spirit that actuated the men who

⁴⁰ *Exposicion de la Compañia de Filipinas*, p. 2.

⁴¹ *Reisen in den Philippinen* (Berlin, 1873); see the Spanish translation, *Viaje por Filipinas* (Madrid, 1875), p. 13.

⁴² *Historia*, II. 299. See Clive Day, *The Dutch in Java*.

were directing the revival of Spain. Finally, the local *junta de gobierno* at Manila was to be composed, among others, of a deputy representing the insular interests. The governor was to preside over this body, which was to consist further of the intendant, the local directors of the company, a director of the *Sociedad*, and the chief accountant and treasurer of the company. This board was granted large discretionary powers in the local administration of the company, and was allowed wide latitude in the execution of the ordinances issued by the central *junta*.

During the first year of its operation the company sent out three ships. One, which cleared from Cadiz in October, 1785, passed through the Straits of Magellan, and called at Callao on its way to Manila. Two others, which left later, followed the Cape route to the east.⁴³ The early voyages were successful ventures, the cargoes of 1787 realizing fifty per cent profit at Cadiz.⁴⁴ By 1792 the value of the shares had risen to par, and the prospects of the company appeared very bright. However, these flush times were of short duration, though the returns continued fairly satisfactory for a few years more. To January, 1806 the company's sales in Europe amounted to 384,778,000 *reales*.⁴⁵ In 1803, the limit of the charter was extended fifteen years, or eight years beyond the time set for its expiration by the original *cédula*.⁴⁶ At the same time the capital stock was increased to 12,500,000 pesos, of which the king, Charles IV, held 3,943,000 pesos.

Not even this new lease of life could save the company from the forces that militated against its success. It dragged along

⁴³ Malo de Luqué gives an account of the early operations of the company. *Historia política de los establecimientos ultramarinos de las naciones europeas*, V. 340-384.

⁴⁴ Brougham, *An Inquiry into the Colonial Policy of the European Powers* (1803), I. 431. However, at this time Brougham predicted the early collapse of the company.

⁴⁵ *Exposicion de la Compañía de Filipinas*, p. 23.

⁴⁶ *Nueva real cédula de la Compañía de Filipinas*, July 12, 1803, *A. de I.*, 108-3-18. In clause 37 of this *cédula* the king declares: "Confirmo el permiso dado á mis vasallos de Filipinas para que sigan por ahora el comercio con Nueva España en la nao que cada año viene á Acapulco, ratificando la prohibicion hecha á la Compañía y sus dependientes de tomar el menor interés en ella."

through the period of the Napoleonic wars,⁴⁷ but not even the restoration of peace and more normal conditions could restore the early prosperity, though the existence of the company was not terminated legally until September, 1834.⁴⁸

Its program had been too ambitious from the beginning for the resources at its disposal. A combination of causes had operated to bring about its failure. Its promoters were not familiar with the peculiar conditions of oriental trade, and had to pay dearly for experience that had been the property of their rivals for centuries. They were in fact driven to buy some of their commodities from those very competitors, and there was scarcely any advantage in buying cinnamon from the Dutch at Batavia over buying it from them at Cadiz. Moreover, they were never able to establish such direct relations with the native peoples as would have freed them from this fatal dependence. The company was also hampered by its subordination to the government,⁴⁹ and by the over-regulated rigidity of the form of organization. On the other hand, it could not always control the acts of its agents, who persisted in trading on their own account, in violation of the regulations of the company. Undoubtedly this laxness of responsibility among its subordinates—an evil from which all the great companies suffered—was partly due to the semi-public character of the organization, and the consequent impersonal nature of its directive authority, as well as to the impossibility of a minute supervision of its widely scattered operations. Again, the voluntary labor of the native Filipinos was not adequate to the gigantic task of developing

⁴⁷ Considerable quantities of American and British goods were introduced into the ports of the west coast of South America during the Napoleonic wars. Unsigned *informe*, March 13, 1813, *A. de I., Estado: America en general, legajo 1*.

⁴⁸ Danvila y Collado, *Reinado de Carlos III*. VI. 277.

⁴⁹ "Restreinte dans ses opérations, et dépourvue d'indépendance, exposée à l'intervention continuelle, et parfois violente, du gouvernement, la compagnie se trouva, surtout après la chute de Cabarrus en 1790, hors d'état de remplir une mission, qui, dans d'autres circonstances et sous l'empire d'autres maximes, aurait sans doute assuré à l'Espagne une part assez considérable et assez avantageuse dans le commerce des Indes Orientales. Elle ne fit que vegeter, et tomba de même que la banque de Saint-Charles lors de la guerre avec la France, sous Napoléon." Bonnassieux, *op. cit.*, p. 450.

the resources of the islands, which was an important phase of the company's program. Nor would the friars have permitted forced labor on a sufficient scale to ensure the success of this part of the company's program. The disruption of normal economic life in the peninsula during the Napoleonic wars has already been mentioned as an influence hostile to the progress of the company. Finally, it was handicapped by the resistance of the insular interests.

The reception of the company's overtures and ships at Manila was what might have been expected, in view of the customary attitude of the Manileños toward the principle of direct trade.⁵⁰ They refused to take up the 3,000 shares of stock reserved for them, or to freight their allotted quota of lading-space in its ships.⁵¹ They appeared to desire the indefinite perpetuation of their isolation from the metropolis, and of the secular galleon traffic with America. The latter was already noticeably on the wane, but its accelerated decline in the second half of the eighteenth century was laid to the competition of the company. The words of the charter had expressly insured the galleon line against the more evident and direct encroachments of the company. The northern Pacific was still a field reserved for the *naos*. But the market of New Spain was no longer the almost exclusive monopoly of the Manileños. Foreigners had long smuggled large quantities into Mexico, and the *flota* had introduced a share of its silk imports, but now the *peninsulares* were free to send 800 tons of Oriental products a year into Vera Cruz. The Acapulco traffic showed how elastic such a *premisio* could be, as did the concession of the English *asiento* ship at Porto Bello.⁵²

⁵⁰ "El principal objeto de su ereccion ha sido el de prosperar estas yslas y sus moradores. En nada perciven este beneficio. . . . Es contrrario al sistema del comercio de esta República. Querer conservar un edificio batiendo sus fundamentos, no puede ser." *Ayuntamiento* of Manila to Governor Berenguer de Marquina, November 22, 1788, *A. de I.*, 107-5-16.

⁵¹ Montero y Vidal, *Historia*, II. 301.

⁵² "El 'navío de premiso' de los ingleses convirtió pronto sus 500 toneladas en 850, y mas tarde en una especie de almacén flotante que permanecía muchos meses en Porto Bello, vaciándose y volviéndose á llenar cuantas veces era preciso" (Altamira, *Historia de España*, IV. 309).

Such competition would be mutually destructive to both traffics,⁵³ since there could be only a certain limited demand in New Spain for Asiatic goods, and the galleon had been fully able to supply the market of the viceroyalty.⁵⁴ The immunity from all but a slight export duty at Cadiz gave the company a great advantage over its rival. The *consulado* declared in 1786 that this discrepancy in costs amounted to a premium of 62 $\frac{3}{4}$ per cent in favor of the company.⁵⁵ Moreover, the company did not adhere scrupulously to the prohibition against trading eastward across the Pacific to the western coasts of South America, but even sent ships to San Blas, just inside the entrance of the Gulf of California,⁵⁶ while in 1803, the company received license to send a ship to Peru.⁵⁷ If the company's consignments to New Spain reached Vera Cruz before the arrival of the galleon at Acapulco the market for the latter's goods was spoiled for the year.⁵⁸ The fears of the islanders were in fact realized, and one of the

⁵³ Carvajal to Gálvez, July 2, 1786, *A. de I.*, 108-4-25. "El principal error de la empresa consistió en no hacer que pasase á ella la linea de Acapulco." Montero y Vidal, *op. cit.*, p. 306. Henry C. Morris, in his *History of Colonization*, I. 296, wrongly says that the Philippine Company superseded the galleon in the Manila-Acapulco trade. John Foreman also says incorrectly that the company "almost monopolized the Philippine-American trade which was yet carried on exclusively in state galleons" (*The Philippine Islands* (New York, 1906), p. 282).

⁵⁴ "El actual estado de Nueva España y su anual consumo no permiten mas surtimiento, que el que recibe por la Nao, y aun este se ha visto ser ya excesivo. Cómo se hallará con la introduccion de otro tanto, ó mas, por la Real Compañía? Con la mitad que lleve será bastante para que nos embuelva en su propia ruina" (*Ayuntamiento* to Governor Berenguer, *op. cit.*).

⁵⁵ *Consulado* to the king, July 8, 1786, *A. de I.*, 108-4-26.

⁵⁶ "Los tres cargamentos integros de los buques nombrados el *Rey Carlos*, el *Montañés*, y la *Casualidad*, que hasta hoy se mantienen reunidos en la Nueva España por haver la Compañía interceptado el comercio exclusivo de esta colonia, por medio del navío *Filipino*, que descargó en San Blas el quantioso cargamento que llevaba" (*Consulado* to the king, February 18, 1804, *A. de I.*, 108-4-25).

⁵⁷ Azcárraga, *op. cit.*, p. 142.

⁵⁸ "Por Vera Cruz . . . entraron en los años de 1790-1-2 mas de 450,000 pesos de valor de efectos de Filipinas, todos los cuales pudieron contribuir á dificultar la venta de los entrados por Acapulco" (*Viagero Español*, XXVII. 209). According to the *consulado*, the Manileños did not send a galleon to Acapulco in 1788, 1790, or 1792, because they feared they would not be able to dispose of their goods in a market already supplied by the company through Vera Cruz (*Informe* of July 20, 1804, *A. de I.*, 108-4-15).

most important causes contributing to the ultimate ruin of their traditional commerce was the Royal Philippine Company. And though the company, too, failed, the future was with the idea of direct trade which it represented.⁵⁹ The islands henceforth looked toward Spain, and not toward Mexico, and this reorientation of the colony was in large part the work of the company. It marked the end of the long era which began with the expedition of Villalobos, and the beginning of the final epoch in the Spanish history of the islands.

WILLIAM LYTLE SCHURZ.

⁵⁹ "A veritable revolution in the commercial legislation of the Philippines" (Barrows, *History of the Philippines*, 244). Yet, in 1824 Tiburcio de Gorostiza, *jefe de hacienda* in the Philippines, declared for the abolition of the company, "por ser en extremo nociva al fomento y prosperidad del pais, segun lo habia demostrado la experiencia" (Blanco Herrero, *Política de España en Ultramar*, p. 106).